

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Nelson Township	County Kent
Audit Date 3/31/06	Opinion Date 7/17/06	Date Accountant Report Submitted to State: 7/22/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

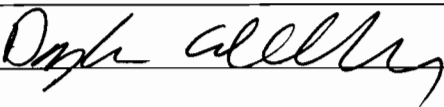
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Douglas Wohlberg, CPA			
Street Address PO Box 1013	City Byron Center	State MI	ZIP 49315
Accountant Signature 		Date 7/22/06	

Nelson Township

Kent County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year Ended March 31, 2006

Nelson Township

Kent County, Michigan

Contents

March 31, 2006

Independent Auditor's Report	1
Management's Discussion and Analysis	3 - 5
BASIC FINANCIAL STATEMENTS	
Government Wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements	
Governmental Funds	
Balance Sheet	11
Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	12
Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Fiduciary Fund	
Statement of Net Assets	15
Notes to Basic Financial Statements	19 - 25
REQUIRED SUPPLEMENTAL INFORMATION	
General Fund	
Balance Sheet	28
Budgetary Comparison Report	29 - 31
Library Fund	
Balance Sheet	32
Budgetary Comparison Report	33
OTHER SUPPLEMENTAL INFORMATION	
Nonmajor Funds Combining Balance Sheet	36
Nonmajor Funds Combining Statement of Revenue, Expenditures and Changes in Fund Balances	37
General Fund	
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances	38 - 42
AUDITORS' REPORTS	
Communication with Audit Committee or its Equivalent	45
Management Comments Letter	47
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	49

INDEPENDENT AUDITORS' REPORT

To the Board
Nelson Township
Kent County, Michigan

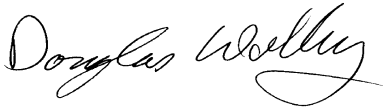
We have audited the accompanying financial statements of the governmental activities, the major funds and the aggregate remaining fund information of Nelson Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Nelson Township management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund and the aggregate remaining fund information of Nelson Township as of March 31, 2006, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nelson Township basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Byron Center, Michigan
July 17, 2006

Nelson Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 7% from a year ago, increasing from \$960,311 to \$1,030,866. This results from minimizing expenditures in the General Fund.

In a condensed format, the table below shows a comparison of the net assets as of March 31, 2006 to the prior year:

		Governmental Activities	
		2006	2005
Current assets	\$	979,144	\$ 917,302
Noncurrent assets		52,655	53,401
Total assets		1,031,799	970,703
Other liabilities		933	10,392
Net assets			
Invested in capital assets - net of debt		52,655	53,401
Unrestricted		978,211	906,910
Total net assets	\$	1,030,866	\$ 960,311

Unrestricted net assets, the part of net assets that can be used to finance day to day operations, increased by \$70,555 for the governmental activities. This represents an increase approximately 7%. The current level of unrestricted net assets for our governmental activities stands at \$978,211, or about 200% of expenditures. This is within the targeted range set by the Township Board during its last budget process.

Nelson Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of March 31, 2006 to the prior year:

	2006	2005
<u>Program revenues</u>		
Charges for services	\$ 80,574	\$ 114,182
<u>General Revenue</u>		
Property tax	186,529	177,668
State revenue	260,202	259,644
Unrestricted investment income	26,510	13,014
Franchise fees	184	153
Fines and forfeits	250	300
Special assessments	2,281	2,063
Miscellaneous	3,626	5,243
Total Revenues	560,156	572,267
<u>Program expenses</u>		
General government	193,706	201,441
Public safety	82,330	98,050
Public works	166,363	140,980
Community development	34,454	17,033
Recreation and culture	12,748	16,747
Total expenses	489,601	474,251
<u>Change in net assets</u>	\$ 70,555	\$ 98,016

Governmental Activities

There was no significant change in governmental activities from the previous year.

The Township's Funds

Our analysis of the Township's major fund begins on page 11, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2006 was the General Fund and the Library Special Revenue Fund.

Capital Asset and Debt Administration

At the end of 2006, the Township had \$52,655, net of accumulated depreciation, invested in land, building and equipment.

Nelson Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2007 remains little changed from 2006 because the Township has no long-term debt and expects to make no significant additions to its capital assets. The Township has made a commitment issue long-term debt to aid in the construction of a new Library building. The Township also will be making significant payments from the General Fund for construction.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township's Supervisor at the Nelson Township Hall, Two Maple Street, Sand Lake, Michigan, 49343. The Township's phone number is (616) 636-5332.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Nelson Township

Kent County, Michigan

Statement of Net Assets

For the year ended March 31, 2006

	Governmental activities
<u>GOVERNMENTAL ASSETS</u>	
Cash and cash equivalents	\$ 917,558
Receivables (net)	61,586
Capital assets (net)	52,655
TOTAL ASSETS	\$ 1,031,799
<u>GOVERNMENTAL LIABILITIES</u>	
Accrued and other liabilities	\$ 933
<u>GOVERNMENTAL NET ASSETS</u>	
Invested in capital assets	52,655
Unrestricted	978,211
TOTAL NET ASSETS	1,030,866
TOTAL LIABILITIES AND NET ASSETS	\$ 1,031,799

The Notes to the Financial Statements are an integral part of this statement.

Nelson Township

Kent County, Michigan

Statement of Activities

For the year ended March 31, 2006

Functions/Programs	Expenses	Charges for services	Governmental activities
PRIMARY GOVERNMENT EXPENSES			
General government	\$ 193,706	\$ 44,467	\$ (149,239)
Public safety	82,330	36,107	(46,223)
Public works	166,363	-	(166,363)
Community and economic development	34,454	-	(34,454)
Recreation and culture	12,748	-	(12,748)
Total Governmental activities	\$ 489,601	\$ 80,574	(409,027)

General Revenues

Property taxes	186,529
State-shared revenue	260,202
Unrestricted investment income	26,510
Franchise fees	184
Fines and forfeitures	250
Special assessments	2,281
Miscellaneous	3,626
Total general revenues - special items and transfers	479,582

Change in net assets	70,555
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Net assets at beginning of year	960,311
Net assets at end of year	\$ 1,030,866

The Notes to the Financial Statements are an integral part of this statement.

Nelson Township

Kent County, Michigan

Governmental Funds

Balance Sheet

March 31, 2006

	General Fund	Library Fund	Nonmajor Funds	Total
ASSETS				
Cash	\$ 673,449	\$ 235,997	\$ 8,112	\$ 917,558
Taxes receivable	15,378	3,916	-	19,294
Accounts receivable	130	-	-	130
Due from other units of government	42,162	-	-	42,162
Due from other funds	-	9,871	450	10,321
TOTAL ASSETS	\$ 731,119	\$ 249,784	\$ 8,562	\$ 989,465
LIABILITIES AND FUND EQUITY				
Due to other funds	\$ 10,321	\$ -	\$ -	\$ 10,321
Customer deposits payable	933	-	-	933
TOTAL LIABILITIES	11,254	-	-	11,254
FUND BALANCES				
Designated for				
Fire department	845	-	-	845
Roads	175,375	-	-	175,375
Library	150,000	-	-	150,000
White Pines Trail	5,000	-	-	5,000
Storm Water Drain	15,000	-	-	15,000
Reserved	-	249,784	8,562	258,346
Unreserved/Undesignated	373,645	-	-	373,645
TOTAL FUND BALANCES	719,865	249,784	8,562	978,211
TOTAL LIABILITIES AND FUND BALANCES	\$ 731,119	\$ 249,784	\$ 8,562	\$ 989,465

The Notes to the Financial Statements are an integral part of this statement.

Nelson Township

Kent County, Michigan

Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended March 31, 2006

<hr/>	
Total fund balances - total governmental funds	\$ 978,211
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Capital assets at cost	129,275
Accumulated depreciation	(76,620)
<hr/> Net capital assets	<hr/> 52,655
Net assets of governmental activities	\$ 1,030,866
<hr/>	

The Notes to the Financial Statements are an integral part of this statement.

Nelson Township

Kent County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended March 31, 2006

	General Fund	Library Fund	Nonmajor Funds	Total
REVENUE				
Taxes	\$ 174,049	\$ 42,406	\$ -	\$ 216,455
State grants	260,202	-	-	260,202
Licenses and permits	39,852	-	-	39,852
Fines and forfeitures	250	-	-	250
Charges for services	10,846	-	-	10,846
Interest and rents	19,544	6,733	233	26,510
Other revenue	2,360	1,400	-	3,760
Special assessments	-	-	2,281	2,281
TOTAL REVENUE	507,103	50,539	2,514	560,156
EXPENDITURES				
General government	161,287	-	-	161,287
Public safety	82,330	-	-	82,330
Public works	159,723	-	6,640	166,363
Community and economic development	34,454	-	-	34,454
Recreation and culture	4,000	-	-	4,000
Library	-	8,748	-	8,748
Other	31,673	-	-	31,673
TOTAL EXPENDITURES	473,467	8,748	6,640	488,855
NET CHANGE IN FUND BALANCES	33,636	41,791	(4,126)	71,301
FUND BALANCES, BEGINNING OF YEAR	686,229	207,993	12,688	906,910
FUND BALANCES, END OF YEAR	\$ 719,865	\$ 249,784	\$ 8,562	\$ 978,211

The Notes to the Financial Statements are an integral part of this statement.

Nelson Township

Kent County, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended March 31, 2006

Net change in fund balances - total governmental funds	\$	71,301
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay added to capital assets.		5,060
Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Depreciation		(5,806)
Change in net assets of government activities	\$	70,555

The Notes to the Financial Statements are an integral part of this statement.

Nelson Township

Kent County, Michigan

Fiduciary Fund

Statement of Net Assets

For the year ended March 31, 2006

			Agency Fund Type
Cash	\$	1,027	
Due to other funds	\$	1,027	

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Nelson Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Nelson Township:

A. Reporting Entity

Nelson Township is governed by an elected five member Board. The Township has no component units, entities for which the government is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

This reporting model provides for separate financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nelson Township has no proprietary funds. The Township has one fiduciary fund, the Tax Agency Fund.

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2006

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Nelson Township's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in Nelson Township as of the preceding December 31st.

Although Nelson Township's 2005 ad valorem tax is levied and collectible on December 1, 2005, it is Nelson Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 taxable valuation of Nelson Township totaled \$107,022,686, on which ad valorem taxes levied consisted of the following:

	<u>Mills levied</u>	<u>Raising</u>
Operating	0.8758 \$	93,730
Fire Safety	0.4690	50,194
Library	0.3979	42,584

These amounts are recognized in the respective General Fund and Library Special Revenue Fund financial statements as tax revenue.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government.

The Library Special Revenue Fund accounts for property taxes and penal fines collected to operate the library.

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2006

Additionally, the government reports the following fund types:

The Pine Lake Weed Special Revenue Fund accounts for special assessments used to remove weeds from the lake.
The Trust and agency fund accounts for property tax collected on behalf of the Township and other units.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets--Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

Fund Equity--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2006

NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township normally follows these procedures in establishing the budgetary data reflected in the financial statements:

On or before March 1, the Township supervisor submits to the Board, a proposed operating budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the Township hall to obtain taxpayer comments.

On or before March 31, the budget is adopted by resolution.

Any revisions that alter the total expenditures of any fund must be approved by the Township Board.

Budgeted amounts are presented as originally adopted, or as amended by the Township Board before March 31. Individual amendments were not material in relation to the original appropriations which were amended.

Budgets as presented for the General Fund are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.

The Township legally adopts budgets for the General Fund.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Township Board.

The legal level of control is at the activity level of the General Fund.

The Township Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Township Board.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Nelson Township

Kent County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Nelson Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated two banks and the Kent County Treasurer for the deposit of Local Unit funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all of State statutory authority as listed above.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At the year end, the Township had \$720,615 of bank deposits (money market, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2006

NOTE 4 - RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Library Fund	Pine Lake Weed Control Fund	Total
Taxes receivable	\$ 15,378	\$ 3,916	\$ -	\$ 19,294
Accounts	130	-	-	130
Intergovernmental	42,162	-	-	42,162
Due from other funds	-	9,871	450	10,321
Net Receivables	\$ 57,670	\$ 13,787	\$ 450	\$ 71,907

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
Governmental Activities				
Assets not being depreciated	\$ 32,700	\$	\$	\$ 32,700
Capital assets being depreciated:				
Buildings	41,000			41,000
Equipment	50,515	5,060		55,575
Subtotal	91,515	5,060		96,575
Accumulated depreciation:				
Buildings	29,775	1,025		30,800
Equipment	41,039	4,781		45,820
Subtotal	70,814	5,806		76,620
Net capital assets being depreciated	20,701	(746)		19,955
Net capital assets	\$ 53,401	\$ (746)	\$	\$ 52,655

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 5,806

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2006

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances resulting from distribution of property taxes are described in the following schedule.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Library Fund	General Fund	\$ 9,871
Pine Lake Weed Control Fund	General Fund	450
Total		\$ 10,321

NOTE 7 - RISK MANAGEMENT

Nelson Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. Nelson Township has purchased commercial insurance for all claims and participates in the Michigan Municipal Risk Management Authority for claims relating to employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS

The Township has no post-retirement benefit plans at this time.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Nelson Township provides pension benefits to certain employees through a defined contribution plan with John Hancock. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. Nelson Township contributes 20 percent of all Township Board members toward the purchase of individual annuities to provide retirement benefits, plus a contribution for Board members eligible for a past services retirement benefit. Contributions to the plan for the current year totaled \$13,350 based on a covered payroll of \$62,639. Total Township payroll was \$138,703. Retirement benefits are limited to the amount of annuities purchased on behalf of each employee.

REQUIRED SUPPLEMENTAL INFORMATION

Nelson Township
Kent County, Michigan
General Fund
Balance Sheet
March 31, 2006

	2006	2005
<u>ASSETS</u>		
Cash	\$ 673,449	\$ 651,168
Taxes receivable	15,378	17,375
Accounts receivable	130	129
Due from other units of government	42,162	38,270
TOTAL ASSETS	\$ 731,119	\$ 706,942
<u>LIABILITIES AND FUND EQUITY</u>		
LIABILITIES		
Accounts payable	\$ -	\$ 1,064
Due to other funds	10,321	10,321
Customers deposits payable	933	9,328
TOTAL LIABILITIES	11,254	20,713
FUND BALANCES		
Designated		
Fire Department	8,845	4,345
Roads	175,735	114,975
Library	150,000	150,000
White Pines Trails	5,000	5,000
Storm Water Drain	15,000	-
Undesignated	380,285	411,909
TOTAL FUND EQUITY	734,865	686,229
TOTAL LIABILITIES AND FUND BALANCES	\$ 746,119	\$ 706,942

Nelson Township

Kent County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended March 31, 2006 with comparative actual amounts for 2005

	Original budget	Final budget	Actual	Variance with final budget	2005
REVENUES					
Property Taxes					
Current real property taxes	\$ 144,680	\$ 144,680	\$ 144,016	\$ (664)	\$ 136,844
Penalties and interest on taxes	-	-	107	107	669
Property tax administration fee	27,000	27,000	29,926	2,926	29,379
Total Property Taxes	171,680	171,680	174,049	2,369	166,892
State Grants					
State revenue sharing	245,000	245,000	255,920	10,920	255,032
Other state grants	4,000	4,000	4,282	282	4,612
Total State Grants	249,000	249,000	260,202	11,202	259,644
Licenses and Permits					
Non-business licenses and permits	2,100	2,100	3,745	1,645	5,470
Business licenses and permits	60,300	60,300	36,107	(24,193)	69,313
Total Licenses and Permits	62,400	62,400	39,852	(22,548)	74,783
Fines and forfeitures	300	300	250	(50)	300
Charges for Services					
Services rendered	5,250	5,250	5,492	242	7,117
Sales	2,550	2,550	5,354	2,804	2,954
Total Charges for Services	7,800	7,800	10,846	3,046	10,071
Interest and Rentals					
Interest and dividends	10,000	10,000	19,544	9,544	10,137
Other Revenue					
Reimbursements	300	300	784	484	2,570
Other	450	450	1,576	1,126	1,376
Total Other Revenue	750	750	2,360	1,610	3,946
TOTAL REVENUES	501,930	501,930	507,103	5,173	525,773

Nelson Township

Kent County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended March 31, 2006 with comparative actual amounts for 2005

	Original budget	Final budget	Actual	Variance with final budget	2005
EXPENDITURES					
General government					
Township board	\$ 12,290	\$ 12,290	\$ 11,699	\$ 591	\$ 12,814
Supervisor	20,250	20,250	20,189	61	18,076
Clerk	20,575	20,710	20,706	4	18,474
Audit	4,500	4,500	4,600	(100)	4,500
Board of review	600	640	640	-	717
Treasurer	28,200	28,200	26,940	1,260	25,781
Assessor	28,400	28,400	23,697	4,703	28,085
Elections	3,500	3,500	1,539	1,961	5,325
Building and grounds	28,480	30,995	29,949	1,046	24,689
Attorney	20,000	20,000	11,875	8,125	15,241
Cemetery	7,625	9,455	9,453	2	8,668
Total General government	174,420	178,940	161,287	17,653	162,370
Public safety					
Fire department	44,859	44,859	44,859	-	48,776
Building inspection	52,350	52,350	37,471	14,879	49,274
Total Public safety	97,209	97,209	82,330	14,879	98,050
Public works					
Public works	123,000	185,600	151,476	34,124	129,993
Street lighting	1,600	1,600	1,516	84	990
Sanitation	7,500	7,500	6,731	769	7,166
Total Public works	132,100	194,700	159,723	34,977	138,149
Community and economic development					
Planning	13,650	22,795	22,793	2	2,516
Zoning	16,950	16,950	11,661	5,289	14,517
Total Community and economic development	30,600	39,745	34,454	5,291	17,033
Recreation and culture					
Parks and recreation	4,000	4,000	4,000	-	4,000

Nelson Township

Kent County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended March 31, 2006 with comparative actual amounts for 2005

	Original budget	Final budget	Actual	Variance with final budget	2005
Other governmental functions					
Insurance	\$ 7,000	\$ 7,000	\$ 6,626	\$ 374	\$ 7,353
Retirement	13,500	13,500	13,350	150	12,075
Social security	13,900	13,900	10,809	3,091	11,635
Other	200	200	888	(688)	2,214
Total Other governmental functions	34,600	34,600	31,673	2,927	33,277
TOTAL EXPENDITURES	472,929	549,194	473,467	75,727	452,879
NET CHANGE IN FUND BALANCES	29,001	(47,264)	33,636	80,900	72,894
Fund balance at beginning of year	686,229	686,229	686,229	-	613,335
Fund balance at end of year	\$ 715,230	\$ 638,965	\$ 719,865	\$ 80,900	\$ 686,229

Nelson Township
Kent County, Michigan
Library Fund
Balance Sheet
March 31, 2006

	2006	2005
<u>ASSETS</u>		
Cash	\$ 235,997	\$ 194,341
Due from other funds	9,871	9,871
Taxes receivable	3,916	3,781
TOTAL ASSETS	\$ 249,784	\$ 207,993
<u>LIABILITIES AND FUND EQUITY</u>		
FUND BALANCES		
Fund balance	\$ 249,784	\$ 207,993

Nelson Township

Kent County, Michigan

Library Fund

Budgetary Comparison Report

For the year ended March 31, 2006 with comparative actual amounts for 2005

	Original budget	Final budget	Actual	Variance with final budget	2005
<u>REVENUE</u>					
Property taxes	\$ 42,523	\$ 42,523	\$ 42,406	\$ (117)	\$ 40,155
Interest and dividends	2,500	2,500	6,733	4,233	2,759
Other	1,400	1,400	1,400	-	1,400
TOTAL REVENUE	46,423	46,423	50,539	4,116	44,314
<u>EXPENDITURES</u>					
Library	13,386	13,386	8,748	4,638	12,747
NET CHANGE IN FUND BALANCES	33,037	33,037	41,791	(522)	31,567
Fund balance beginning of year	207,993	207,993	207,993	-	176,426
Fund balance end of year	\$ 241,030	\$ 241,030	\$ 249,784	\$ (522)	\$ 207,993

OTHER SUPPLEMENTAL INFORMATION

Nelson Township

Kent County, Michigan

Nonmajor Funds

Balance Sheet

March 31, 2006

	Special Revenue Fund	
	Pine Lake Weed Control Fund	
<hr/>		
<u>ASSETS</u>		
Cash	\$	8,112
Due from other funds		450
<hr/>		
TOTAL ASSETS	\$	8,562
<hr/>		
<u>LIABILITIES AND FUND BALANCES</u>		
FUND BALANCES		
Reserved	\$	8,562
<hr/>		

Nelson Township

Kent County, Michigan

Nonmajor Funds

Statement of Revenue, Expenditures and Changes in Fund Balance

March 31, 2006

	Special Revenue Fund
	Pine Lake Weed Control Fund
REVENUE	
Interest and dividends	\$ 233
Special assessments	2,281
TOTAL REVENUE	2,514
EXPENDITURES	
Public works	6,640
NET CHANGE IN FUND BALANCES	(4,126)
FUND BALANCES, BEGINNING OF YEAR	12,688
FUND BALANCES, END OF YEAR	\$ 8,562

Nelson Township

Kent County, Michigan

General Fund

Comparative Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended March 31, 2006 with comparative actual amounts for Nelson Township

	2006	2005
<u>REVENUES</u>		
Taxes and penalties		
Current property tax	\$ 144,016	\$ 136,844
Penalties and interest on taxes	107	669
Administration fee	29,926	29,379
Total Taxes and penalties	174,049	166,892
State grants		
State shared revenue	255,920	255,032
Metro act	4,282	4,612
Total State grants	260,202	259,644
Licenses and permits		
Building permits	17,136	41,237
Plumbing and mechanical permits	12,093	16,691
Electrical permits	7,078	11,485
Land division fees	850	850
Dog licenses	50	50
Planning commission	2,150	2,600
Zoning fees	495	1,720
Water permits		150
Total Licenses and permits	39,852	74,783
Charges for services		
Cemetery	4,195	2,825
Fax charges	60	61
Miscellaneous	6,591	7,185
Total Charges for services	10,846	10,071
Fines and forfeits	250	300
Interest and rents	19,544	10,137
Other revenue		
Rebates and refunds	784	2,570
Other revenue	1,576	1,376
Total Other revenue	2,360	3,946
TOTAL REVENUES	507,103	525,773

Nelson Township

Kent County, Michigan

General Fund

Comparative Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended March 31, 2006 with comparative actual amounts for Nelson Township

	2006	2005
<u>EXPENDITURES</u>		
Legislative		
Salaries	\$ 2,640	\$ 2,656
Dues and membership	2,152	2,011
Supplies and materials	2,537	4,503
Printing and publishing	933	673
Education	3,365	2,848
Other	72	123
Total Legislative	11,699	12,814
General government		
Supervisor		
Salaries	19,999	18,040
Dues and membership	60	
Education	130	
Travel		36
Total Supervisor	20,189	18,076
Elections		
Salaries	459	3,484
Supplies and materials	840	1,841
Contractual services	240	
Total Elections	1,539	5,325
Assessor		
Salaries	22,897	28,085
Supplies and materials	800	
Total Assessor	23,697	28,085
Legal and audit		
Audit	4,600	4,500
Legal	11,875	15,241
Total Legal and audit	16,475	19,741
Clerk		
Salaries	20,000	18,040
Dues and membership	65	15
Education	151	49
Travel	490	370
Total Clerk	20,706	18,474

Nelson Township

Kent County, Michigan

General Fund

Comparative Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended March 31, 2006 with comparative actual amounts for Nelson Township

	2006	2005
Board of review		
Salaries	\$ 640	\$ 675
Other		42
Total Board of review	640	717
Treasurer		
Salaries	22,575	21,542
Supplies and materials	2,997	2,725
Contractual services	835	1,136
Travel	533	378
Total Treasurer	26,940	25,781
Township Hall		
Salaries	5,966	6,167
Computer software and maintenance	5,422	4,900
Supplies and materials	1,293	655
Printing and publishing	2,330	2,967
Utilities	5,095	3,449
Maintenance and repair	3,124	4,581
Capital outlay	5,519	1,970
Other	1,200	
Total Township Hall	29,949	24,689
Cemetery		
Supplies and materials		
Contractual services	3,388	4,799
Maintenance and repair	5,833	3,869
Capital outlay	232	
Total Cemetery	9,453	8,668
Total General government	149,588	149,556

Nelson Township

Kent County, Michigan

General Fund

Comparative Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended March 31, 2006 with comparative actual amounts for Nelson Township

	2006	2005
Public safety		
Fire protection		
Cedar Springs	\$ 16,991	\$ 19,871
Village of Sand Lake	20,368	21,405
Spencer Township	7,500	7,500
Total Fire protection	44,859	48,776
Inspections		
Building inspector salaries	16,860	15,000
Electrical inspector salaries	7,950	12,060
Plumbing and mechanical inspector salaries	6,900	10,290
Draft permit salaries	2,520	6,170
Dues and membership	161	2,421
Supplies and materials	670	150
Travel	2,410	3,183
Total Inspections	37,471	49,274
Total Public safety	82,330	98,050
Public works		
Drains at large		
Contractual services	713	3,163
Highways, streets and bridges		
Road maintenance		25,000
Capital outlay	132,910	85,079
Dust layer	17,853	16,751
Total Highways, streets and bridges	150,763	126,830
Street lighting		
Utilities	1,516	990
Sanitation		
Contractual services	6,731	7,166
Total Public works	159,723	138,149

Nelson Township

Kent County, Michigan

General Fund

Comparative Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended March 31, 2006 with comparative actual amounts for Nelson Township

	2006	2005
Community and economic development		
Zoning		
Salaries	\$ 11,286	\$ 14,277
Mileage	375	240
Total Zoning	11,661	14,517
Planning Commission		
Planning Commission salaries	1,960	2,110
Professional services	20,833	406
Total Planning Commission	22,793	2,516
Total Community and economic development	34,454	17,033
Recreation and culture		
Recreation and parks department		
Contractual services	4,000	4,000
Other		
Payroll taxes	10,809	11,635
Retirement	13,350	12,075
Insurance	6,626	7,353
Other	888	2,214
Total Other	31,673	33,277
TOTAL EXPENDITURES	473,467	452,879
Excess (deficiency) of revenues over expenditures	33,636	72,894
Fund balance at beginning of year	686,229	613,335
Fund balance at end of year	\$ 719,865	\$ 686,229

AUDITORS' REPORTS

COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the Board
Nelson Township
Kent County, Michigan

We have audited the general purpose financial statements of Nelson Township, Kent County, Michigan for the year ended March 31, 2006, and have issued our report thereon dated July 17, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated May 1, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Nelson Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

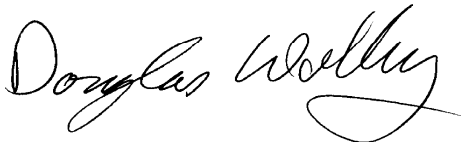
As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Nelson Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Nelson Township are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2006. We noted no transactions entered into by Nelson Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Township Board and management of Nelson Township and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA
Byron Center, Michigan
July 17, 2006

MANAGEMENT COMMENTS LETTER

To the Board
Nelson Township
Kent County, Michigan

In planning and performing our audit of the financial statements of Nelson Township for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

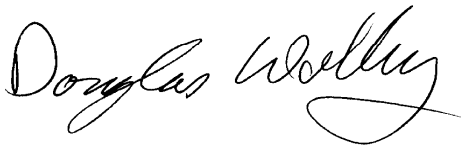
Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Nelson Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no material weaknesses.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the information and use of the Board, management, and others within the administration or the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the March 31, 2006 financial statements, and this report does not affect our report on those financial statements dated July 17, 2006. We have not considered the internal control since the date of our report.



Douglas Wohlberg, CPA
Byron Center, Michigan
July 17, 2006

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board
Nelson Township
Kent County, Michigan

We have audited the general purpose financial statements of Nelson Township, Kent County, Michigan as of and for the year ended March 31, 2006, and have issued our report thereon dated July 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

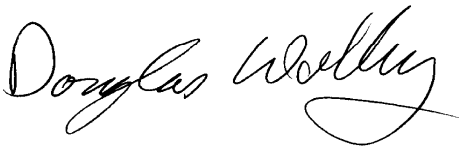
Compliance

As part of obtaining reasonable assurance about whether Nelson Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nelson Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA
Byron Center, Michigan
July 17, 2006